QUARTERLY REPORT

1ST QUARTER 2019

kongsberg.com

KONGSBERG

GEIR HÅØY
President & CEO

"In the initial period of 2019, there has been high market activity throughout the organisation and a great deal of hard work preparing for the takeover of Rolls-Royce Commercial Marine (RRCM). From 1 April 2019, Kongsberg Maritime (KM) became an organisation of almost 7,300 employees and an annual revenue of over 15 billion. Furthermore, the contract to supply the Joint Strike Missile (JSM) to Japan marks another breakthrough for Kongsberg Defence & Aerospace (KDA). The missile has been under development since 2008, with Japan the first international customer to sign a delivery contract. Kongsberg Digital has been investing heavily in the development of its product portfolio since its establishment in 2016. In addition to a growth of almost 40 per cent since Q1 last year, KDI has also delivered improved profitability in Q1. 2019 is set to be another hectic year for the Group. We will continue to secure major defence contracts and deliver on projects. We will also carry out the biggest integration in the Group's history."

Highlights

KONGSBERG	Achieved maritime growth and breakthrough within defence. High activity due to finalising and preparing for the integration of acquired companies.
KONGSBERG MARITIME	Growth and good order intake. The underlying profitability is increasing. High activity associated with the integration of Rolls-Royce Commercial Marine (RRCM).
KONGSBERG DEFENCE & AEROSPACE	Breakthrough contract for sale of JSM to Japan and confirmation on the NASAMS selection by the Australian government. Temporary reduction in operating revenues and EBITDA due to low deliveries of MCT-30 compared to Q1 last year.
KONGSBERG DIGITAL	Increased revenues and improved profitability. Order intake of MNOK 218 in Q1, and a book-bill-ratio of 1.09.

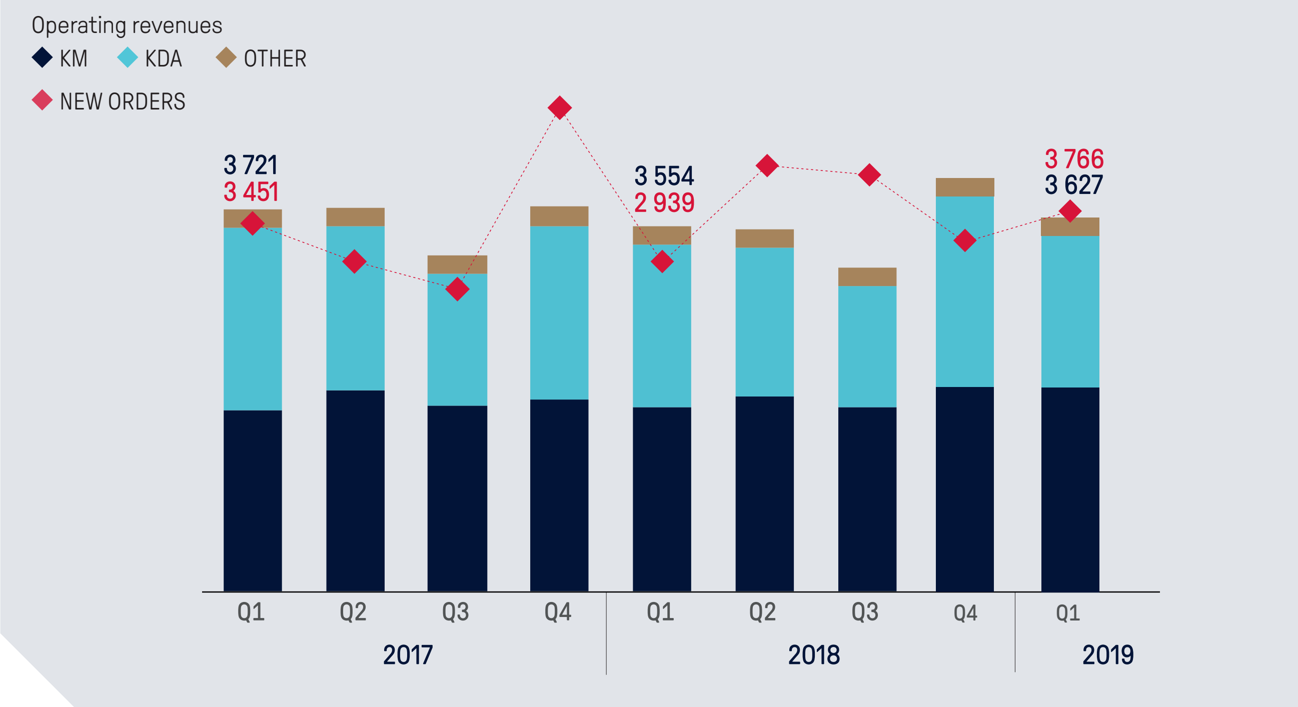
Key figures

MNOK	1.1 - 31.3 2019	1.1 - 31.3 2019 excl. IFRS 16	1.1 - 31.3 2018	1.1 - 31.12 2018
Operating revenues	3 627	3 627	3 554	**14 381**
EBITDA	414	338	286	**1 394**
EBITDA (%)	11,4	9,3	8,0	**9,7**
EBIT	239	229	175	**945**
EBIT (%)	6,6	6,3	4,9	**6,6**
Earnings before tax	220	235	144	**844**
Earnings after tax	170	182	116	**704**
EPS (NOK)	0,95	1,02	0,96	**5,58**
New orders	3 766	3 766	2 939	**16 574**

MNOK	**31.3** *2019*	**31.12** *2018*
Equity ratio (%) excl. IFRS 16	45,7	45,7
Equity ratio (%)	43,3	-
Net interest-bearing debt [1]	(6 041)	(5 706)
Working capital [2]	(157)	(14)
ROACE (%) [3]	13,6	12,5
Order backlog	17 301	17 283
No. of employees	6 881	6 842

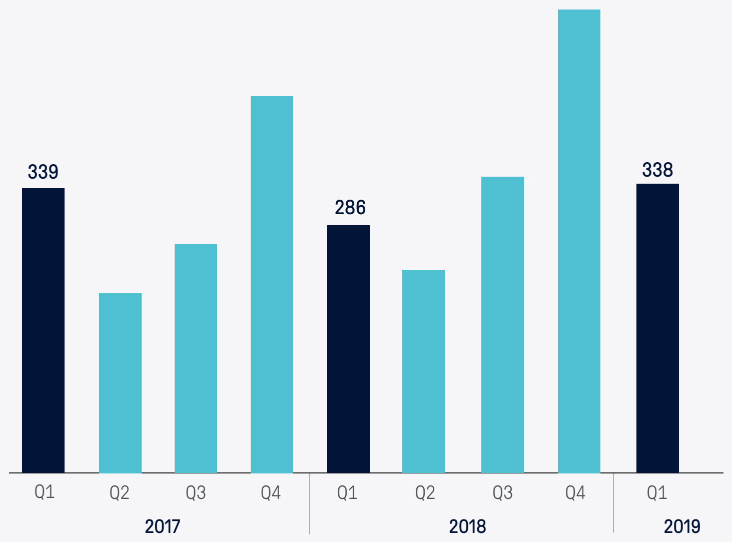
[1] The net -amount of the accounting lines ”Cash and cash equivalents”, ”Long term interest-bearing loans” and ”short term interest-bearing loans”.
[2] Current assets deducted by cash and cash equivalents, non-interest bearing short-term debt (except payable tax) and financial instruments at fair value.
[3] 12 month rolling EBIT exclusive IFRS 16, divided by 12 month average equity and net interest-bearing debt.

OPERATING REVENUES AND NEW ORDERS

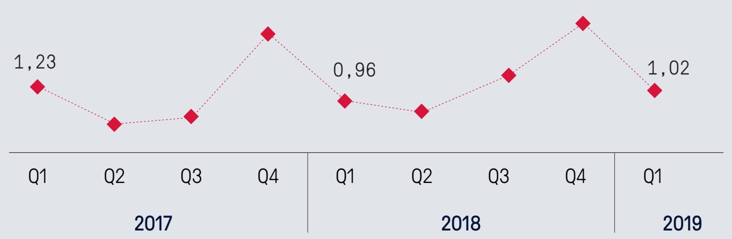


ORDER BACKLOG

EBITDA



EPS



**Comments on the figures in this report focus on reported figures without the effects of IFRS 16, if otherwise is not specified. Under the section number and notes, "IFRS 16 Leases" is implemented in the 2019 condensed statements figures, while the 2018 figures are not changed. See note 2.*

Performance, market and orders

OPERATING REVENUES

3,627

MNOK

EBITDA-MARGIN

9.3%

NEW ORDERS

3,766

MNOK

The Group recorded operating revenues of MNOK 3,627 in Q1, 2.1 per cent higher than the same quarter in 2018. The operating revenues include MNOK 107 connected with the sale of Kongsberg Evotec. EBITDA has been positively affected by the same amount. Adjusted for the sale of Kongsberg Evotec, KM had an increase in operating revenues of 9.4 per cent, driven by aftermarket activities and Sensors and Robotics. KDA has experienced a negative growth of 13.6 per cent, mainly due to low delivery volumes of MCT-30 compared to Q1 of 2018.

EBITDA for the quarter was MNOK 338, compared to MNOK 286 in Q1 2018. This gives an EBITDA margin of 9.3 per cent in Q1 2019, compared to 8 per cent for the same period in 2018. EBITDA in Q1 was negatively affected by the MNOK 79 costs associated with preparations for integrating RRCM. Operating revenues and EBITDA have been positively impacted by the sale of Kongsberg Evotec, amounted to MNOK 107. Adjusted for this, the EBITDA margin for Q1 is 8.8 per cent. KM had an EBITDA margin of 9 per cent, compared to 7.5 per cent in Q1 2018. Adjusted for integration costs, operating revenues and gains from the sale of the subsidiary, KM's EBITDA margin is 8.1 per cent. KDA has an EBITDA margin of 10.1 per cent, compared to 10.9 per cent in Q1 2018, largely due to lower contributions from Patria.

The Group's order intake during Q1 was MNOK 3,766, giving a book-to-bill ratio of 1.04. The order backlog at the end of the quarter were MNOK 17,301. The book-bill-ratio in KM was 1.16, and 0.83 in KDA. Kongsberg's order intake can fluctuate considerably from quarter to quarter as a result of large single orders.

Cash flow

Kongsberg recorded a net increase in cash and cash equivalents of MNOK 351 in Q1. Cash flow from operating activities this quarter amounted to MNOK 514, of which MNOK 176 of the improvement was connected to net current assets and other operations-related items. Cash flow from investment activities amounted to MNOK -88, mainly linked to investments in property, plant and equipment. Net cash flow from financing activities amounted to MNOK -71. This is mainly linked to the repurchase of shares for the Group's share programme for all employees.

See table on next page.

	1.1 - 31.3			1.1 - 31.12
MNOK	*2019*	*2019 excl. IFRS 16*	*2018*	*2018*
EBITDA	414	338	286	1 394
Change in net current assets and other operating related items	176	176	(291)	795
Net cash flow from operating activities	**590**	**514**	**(5)**	**2 189**
Net cash flow used in investing activities	(88)	(88)	(66)	(382)
Net cash flow used in financing activities	(147)	(71)	(113)	5 250
Effect of changes in exchange rates on cash and cash equivalents	(4)	(4)	(33)	25
Net change in cash and cash equivalents	**351**	**351**	**(217)**	**7 082**

Balance sheet

The Group has interest-bearing loans totalling MNOK 4,348. Long-term interest-bearing debt consists of five bond loans totalling MNOK 3,450, and other long-term interest-bearing debt totalling MNOK 19 at the end of Q1. The Group also still has two bond loans for a total of MNOK 800, classified as short-term interest-bearing debt. Other short-term debts amount to MNOK 79. See also Note 6. At the end of Q1 2019, the Group had MNOK 10,389 in cash and cash equivalents, compared to MNOK 10,038 at the end of Q4 2018.

Net interest-bearing debt at the end of the quarter was MNOK -6,041, compared to MNOK -5,706 at the end of 2018. The settlement for RRCM took place on 1 April 2019 and therefore had no impact on outgoing net interest-bearing debt in Q1.

In addition, the Group had a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. At the end of Q1 2019, these remained undrawn.

The overall balance sheet has increased by MNOK 320 this quarter. The equity ratio remains unchanged compared to the end balance of 2018. The equity book value had grown by MNOK 153 at the end of Q1.

NET INTEREST-BEARING DEBT

-6,041

MNOK

EQUITY RATIO

43.3%

	31.3.		31.12
MNOK	*2019*	*2019 excl. IFRS 16*	*2018*
Equity	12 791	12 779	12 626
Equity ratio (%)	43,3	45,7	45,7
Total assets	29 527	27 978	27 658
Working capital [1]	(157)	(157)	(14)
Gross interest-bearing debt	4 348	4 348	4 332
Cash and cash equivalents	10 389	10 389	10 038
Net interest-bearing debt [1]	(6 041)	(6 041)	(5 706)

[1] See definitions note 12.

Currency

The company's currency policy means that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a proportion of expected order intake for large contracts according to the established policy (cash flow hedges). The company's portfolio of cash flow hedges has a fair value of MNOK 85 at the end of the quarter, which is recognised in equity. See also Note 6.

Product development

KONGSBERG is continually investing in product development, both through self-financed and customer-funded programmes. Self-financed product development and maintenance during Q1 totalled MNOK 283, of which MNOK 28 was capitalised. See the table in Note 7.

The largest capitalised projects relate to the development of a digital platform (Kognifai), Joint Strike Missile (JSM), medium-calibre weapon station (MCT), new integrated vessel solutions and remote towers for airports.

Customer-funded development comes in addition, either as part of delivery projects or as specific development assignments. Over time, the total costs of product development and maintenance account for about 10 per cent of operating revenues.

Human resources

KONGSBERG had 6,881 employees at the end of Q1 2019, of whom around 34 per cent were employed outside of Norway. The number of employees has increased by 39 this quarter.

Number of employees by business areas

Other activities

Other activities consist of Kongsberg Digital (KDI), real estate and group functions.

KDI has started 2019 with significantly increased revenues and improved profitability compared to the previous year. Operating revenues started to rise in the autumn of 2018, and this has continued into Q1 2019. Revenues this quarter was almost 40 per cent higher than the same quarter in 2018, and is at its highest point since the business area was established in 2016. The profitability has improved, mainly due to increased volume. KDI had a good order intake in Q1, with book-to-bill ratio of 1.09.

Acquisition of Aerospace Industrial Maintenance Norway AS

In December 2018, KONGSBERG, through KDA, signed an agreement with the Ministry of Defence for the acquisition of Aerospace Industrial Maintenance Norway AS (AIM). The acquisition of AIM will strengthen KONGSBERG's role as a strategic partner for the Norwegian Armed Forces' operational needs. The transaction is expected to be completed in the first half of 2019. See Note 11.

Acquisition of Rolls-Royce Commercial Marine

On 6 July 2018, KONGSBERG entered into an agreement for the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce Plc. The acquisition was completed on 1 April 2019 and the company will be reported as part of Kongsberg Maritime from Q2 2019 onwards. The parties agree on an enterprise value for RRCM of MGBP 500 on a cash and debt-free basis, and with normalised working capital.

The acquisition of RRCM makes KONGSBERG a more holistic supplier to the maritime industry, which has experienced challenging market conditions in recent years. KONGSBERG expects the market to grow moderately, with technology and innovation as key drivers. RRCM is a technology enterprise within maritime operations that supplies equipment and maintenance services to most segments within offshore and merchant vessels. The company has a leading position within propulsion systems, specialised deck machinery equipment and ship design for offshore vessels, but has in the recent years invested in new products towards the merchant marine area to strengthen its position. RRCM also supplies stabilising systems, electrical engineering, automation and control systems. The company also invests heavily in digital technologies of the future, e.g. within autonomous vessels, life cycle management and optimization-/support systems. RRCM has approximately 3,500 employees within 34 countries. Approximately 42 per cent is employed in Norway. The 'new' Kongsberg Maritime now has almost 7,300 employees across 40 countries and an annual turnover of around MNOK 15,000.

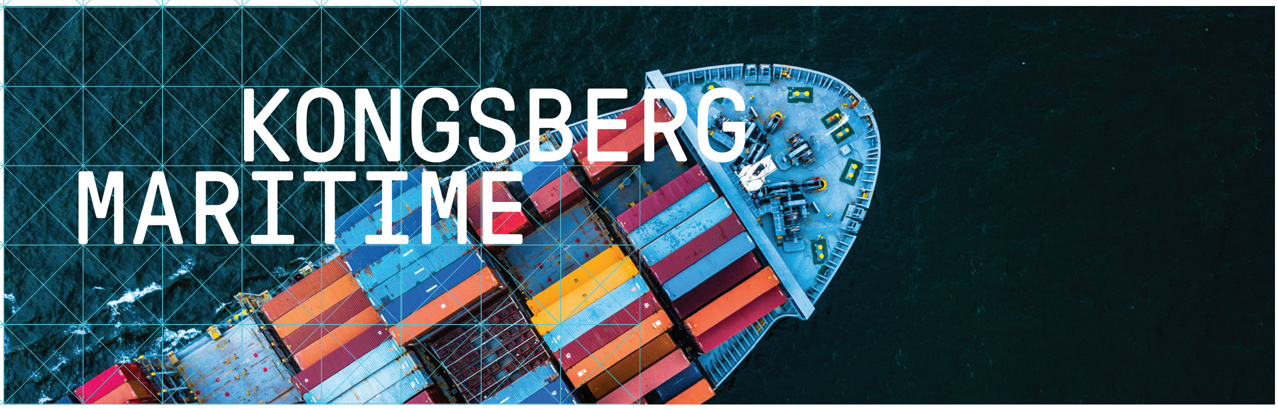
In Q1, RRCM has increased its operating revenues from MNOK 1,707 in 2018 to MNOK 1,871. The increase comes from the aftermarket. EBITDA was MNOK -64, compared to MNOK -173 in Q1 2018. Order intake was down from MNOK 2,126 in Q1 2018 to MNOK 1,973 in 2019. This gives a book-to-bill ratio for Q1 of 1.05.

At the start of Q2, Kongsberg is taking over an order backlog from RRCM of MNOK 6,739. This represents an increase of around MNOK 1,600 from Q1 2018 to MNOK 5,111 this quarter. Of the order backlog, approximately 61 per cent is to be delivered in 2019, 23 per cent in 2020 and the remaining from 2021 onward.

The 21 January 2019, KONGSBERG made an agreement with Rome AS to sell the fully owned Kongsberg Maritime AS subsidiary, Kongsberg Evotec AS. This sale was arranged because of the acquisition of Rolls-Royce Commercial Marine. The sale was accomplished in January 2019, and is reflected in the KM's revenues for Q1 with a profit of MNOK 107.

The integration of the company is well underway, and the goal is for the RRCM-related part of Kongsberg Maritime to have positive EBITDA by the end of a two-year period. Initial work is focused on synergies in relation to co-location, reduction in general- and administration functions as well as other harmonization efforts. For the Deck Machinery division, a considerable restructuring programme will be set out to secure a sufficient profitability of that business.

KONGSBERG MARITIME



NEW DIVISIONAL STRUCTURE AS FROM 1 JANUARY 2019

As of 1 January 2019, Kongsberg Maritime has been restructured into three delivery divisions:

- Sensors and Robotics, which consists of the former Subsea division, as well as Kongsberg Seatex and other sensor businesses from the former Vessel Systems division. The division supplies technology including autonomous underwater vehicles (AUVs), sonar technology and other sensors, mainly for operations on and below the surface of the sea.
- Integrated Solutions, which from now on will consist of the two former Vessel Systems and Solutions divisions, minus the sensor business (now part of the Sensors and Robotics division). This division supplies systems and integrated solutions, mainly for new vessels.
- Global Customer Support, the aftermarket operation that handles the vessels for which KM has supplied equipment. This division does not include the Sensors and Robotics aftermarket business, which is handled directly by that division.
- Since 1 April, KM has been expanded further by three divisions, due to the takeover of RRCM: Propulsion and Engines, Deck Machinery and Motion Control, and Ship Design.

Performance

Operating revenues reached MNOK 2,072 in Q1. This includes MNOK 107 associated with the sale of Kongsberg Evotec. Adjusted for this, operating revenues were 9.4 per cent higher than the same quarter last year. Revenues for the new build market is on a par with the corresponding quarter last year. The growth comes mainly from the Sensors and Robotics division, as well as the aftermarket business.

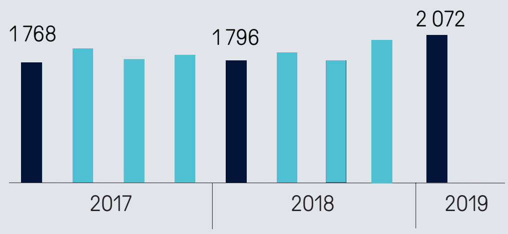
EBITDA this quarter was MNOK 187, including MNOK 107 from the sale of Kongsberg Evotec, compared to MNOK 134 in Q1 2018. Costs of MNOK 79 associated with preparations for integration accrued in Q1. Around half of these costs relate to IT, where a large number of systems had to be in place and coordinated before the takeover. Considerable work has also been invested in relation to various competition authorities, establishing a new organizational structure and recruitment. Adjusted for integration costs and the sale of Kongsberg Evotec, the EBITDA margin is 8.1 per cent, compared to 7.5 per cent in the same quarter in 2018.

KEY FIGURES

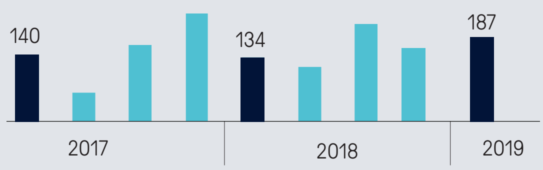
	1.1 - 31.3		1.1 - 31.12
MNOK	2019	2018	2018
Operating revenues	2 072	1 796	7 545
EBITDA excl. IFRS 16	187	134	594
EBITDA	238		
EBITDA (%) excl. IFRS 16	9,0	7,5	7,9
EBITDA (%)	11,5		
New orders	2 413	1 900	8 884

	31.3	31.12
MNOK	*2019*	*2018*
Order backlog	5 981	5 739
No. of employees	3 812	3 794

Operating Revenues



EBITDA



Market and orders

In Q1 2019, new orders were signed for MNOK 2,413, corresponding to a book-to-bill ratio of 1.23 (adjusted for the sale of Kongsberg Evotec), compared to MNOK 1,900 in the same quarter in 2018. The increased order intake mainly comes from contracts for the vessel market.

In the traditional vessel markets, it is the order intake from the liquefied natural gas (LNG) carrier market that particularly stands out, with a total order intake of around MNOK 500 for new builds and the aftermarket in the quarter. The order intake from traditional offshore markets such as drilling and supply is still very low, but contracts have been signed for deliveries for vessels including those specialising in the offshore wind market. In the merchant marine market, the order intake has been somewhat lower in Q1 compared to the same quarter last year. This applies both to bulk carriers and tankers.

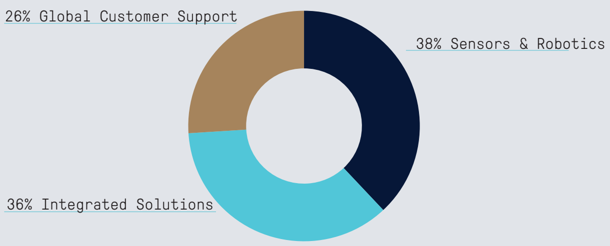
In Sensors and Robotics, Q1 had a good order intake from the fisheries market, but a somewhat lower intake from the AUV market.

Global Customer Support has had high capacity utilisation and increased activity in Q1 compared to the same quarter in 2018. KM's aftermarket revenues are not included in the business division's order backlog.

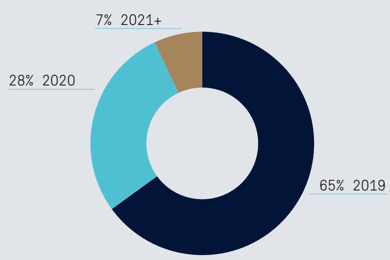
KM delivers to markets beyond the traditional offshore market, and several of these have shown positive development. Examples are fisheries, research, marine robotics and passenger ferries. KM sees a positive development in relation to the construction of modern low-emission and energy-efficient solutions in several vessel segments. This is partly due to new regulatory requirements for commissions from vessels, as well as attractive new build prices. Since 1 April 2019, Rolls-Royce Commercial Marine has been part of Kongsberg Maritime. The product portfolio has therefore been hugely expanded and the 'new' Kongsberg Maritime now has equipment installed in over 30,000 vessels.

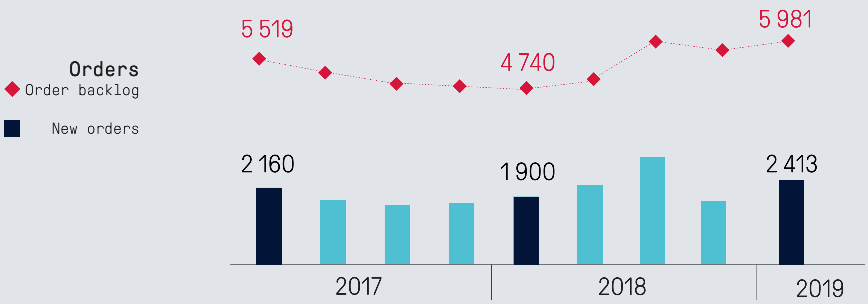
Margins in KM fluctuate considerably between quarters, mainly as a result of the current project mix. Certain markets remain challenging, but adjustments have made KM more robust and better adapted to the current market situation.

Operating revenues
YTD by division



Order backlog
Breakdown by delivery dates





KONGSBERG DEFENCE & AEROSPACE

Performance

Operating revenues were MNOK 1,369 in Q1, 13.6 per cent higher than the same quarter last year. Most divisions had an increase in operating revenues. Protech Systems had lower operating revenues compared to Q1 2018, relating to a single MCT-30 delivery project. The projects are being performed well, and a positive development in operating revenues is expected in all divisions in the future. KDA currently has a relatively broad portfolio of delivery projects. There were no single projects in Q1 that contributed to over 10 per cent of operating revenues. The 10 largest single projects currently contribute around 45 per cent of revenues and around 48 per cent of the gross margin.

EBITDA in Q1 was down from MNOK 172 to MNOK 138 compared to the same quarter in 2018. This reduction in EBITDA is due to a combination of lower volumes and weaker results from Patria. The EBITDA margin in KDA was 10.1 per cent this quarter, compared to 10.9 per cent in the same quarter in 2018. The share of net income from Patria in Q1 was negative at MNOK -17, compared to a positive share of net income of MNOK 5 in Q1 2018. See note 5.

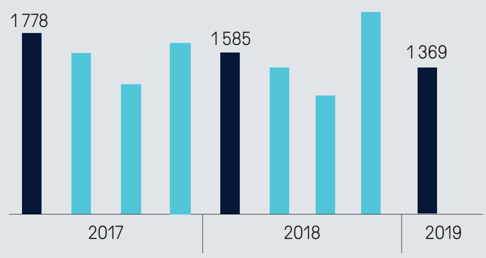
Patria's operating revenues amounted to MEUR 105.1, down 9.5 per cent compared to the same quarter last year. There has been lower activity in the vehicle (Land) and Aviation divisions. EBITDA for Q1 was MEUR 5.4, compared to MEUR 9.3 in the same quarter last year. The reduction comes mainly from the same divisions experiencing reduced activity.

KEY FIGURES

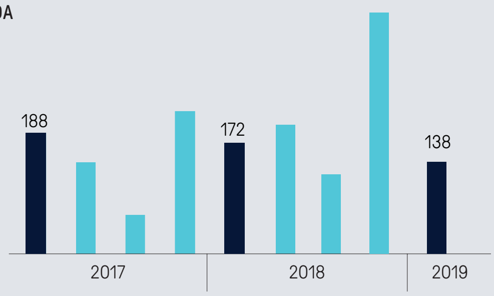
	1.1 - 31.3		1.1 - 31.12
MNOK	2019	2018	2018
Operating revenues	1 369	1 585	6 104
EBITDA excl. IFRS 16	138	172	863
EBITDA	171		
EBITDA (%) excl. IFRS 16	10,1	10,9	14,1
EBITDA (%)	12,5		
New orders	1 137	798	6 885

	31.3	31.12
MNOK	*2019*	*2018*
Order backlog	10 519	10 744
No. of employees	2 465	2 448

Operating Revenues



EBITDA



Market and orders

Order intake was MNOK 1,137, compared to MNOK 798 in Q1 2018, giving a book-to-bill ratio of 0.83. KDA had an order backlog of MNOK 10,519 at the end of Q1, MNOK 1,349 higher than one year ago.

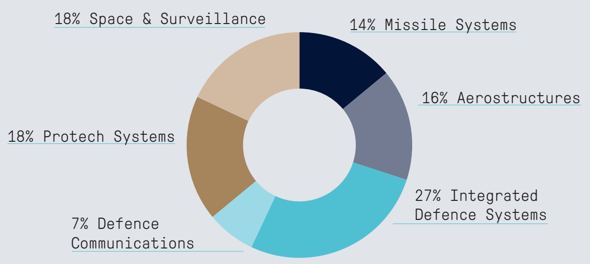
In 2008, KONGSBERG started the development of a new missile (Joint Strike Missile – JSM) for fighter aircraft. In 2009, KONGSBERG received funds from the Norwegian Air Force for the first of three development phases, with a view to developing and integrating the missile for new Norwegian fighter aircrafts. The development has been driven by a close cooperation between KONGSBERG, the Norwegian Defence Research Establishment (FFI) and the Norwegian Air Force. Ten years later, in 2018, the JSM passed the final qualification test of its development, with extremely successful results. The missile is now in the integration phase with the F-35, a fighter aircraft which has so far been chosen by nine nations, including Norway. It was a major breakthrough for Kongsberg when Japan became the first nation to order the JSM in March 2019. This is the first commercial contract for the JSM and has allowed Kongsberg to strengthen its position for further JSM deliveries for the F-35 fighter aircraft in the future. The JSM is the world's only and most advanced fifth-generation missile for land- and sea-based targets. The JSM is currently the only missile to have been designed and qualified to fit into the bomb bay of the F-35 fighter aircraft. The missile will probably be the only missile able to be loaded into it when the aircraft manufacturer launches the final upgrade in a few years, which will give the fighter aircraft Full Operational Capacity (FOC).

At the end of March 2019, Australia's Minister of Defence announced that the NASAMS air defence system had been chosen for the country's LAND 19 Phase 7B air defence programme. KDA is the sub-supplier to Raytheon Australia in that programme. In 2017, Australia made a direct enquiry for NASAMS. The project has now been through a risk-reduction phase and received final approval from the authorities. The delivery contract is expected to be signed this year.

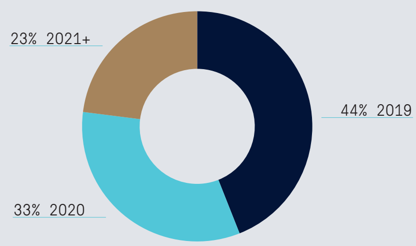
KDA has a product portfolio that is well adapted to future demands and anticipated future market development. KONGSBERG's missiles, air defence systems, remote weapon stations, weapon control systems and other command/control systems attract considerable international attention. At the same time, there is a high level of market activity in relation to a number of major programmes in Europe, the US, Asia and Australia. KONGSBERG is also the largest supplier of equipment and services for the aerospace sector in the Nordic region. Activity in this segment is increasing.

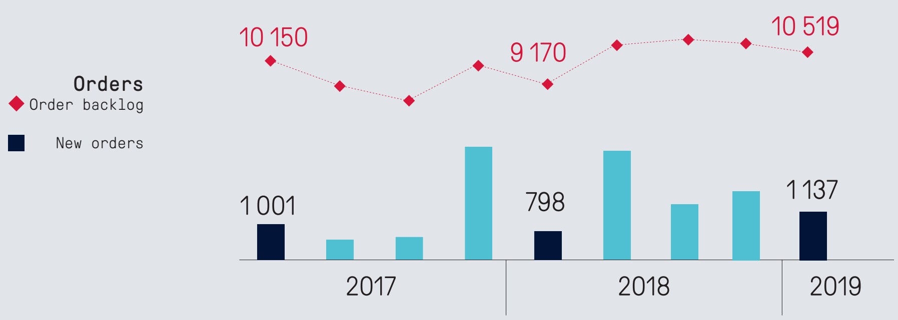
The defence market is characterised by relatively few, but large, contracts. Deliveries are normally made over a long period and involve several milestones. Fluctuations in order intake and performance are therefore to be regarded as normal. KONGSBERG expects a good order intake over the next few years, as a result of the strong market position held by KDA in its segments. Investments in defence programmes are often long-term processes. It is the authorities in the countries in question which are potential customers for major defence systems. They consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment. National budgets and political constraints will therefore strongly influence whether, and if so when, contracts are signed with KONGSBERG.

Operating revenues
YTD by division



Order backlog
Breakdown by delivery dates





KONGSBERG have strong and important positions within both the civil and defence sectors, which should continue to develop positively in 2019. Meanwhile, it will be a year, in which the results will be affected by the costs associated with the integration and restructuring of the 'new' Kongsberg Maritime. In our civil sectors, in a period of generally challenging markets, we have persued heavily on existing and new markets, as well as making a significant acquisition. There is a great deal of international interest in the modern product portfolio from our defence sector, which gives us good prospects for order intake in both the short and long term, and provides a solid foundation for long-term growth. Fluctuations in the margin situation must be expected between quarters, as a consequence of milestones achieved, the current combination of projects and the ongoing integration.

Looking ahead, Kongsberg Maritime's first priority is as always the customer. At the same time, the ongoing integration of RRCM will have a strong focus. It is expected that total costs relating to this will total around MNOK 240 in 2019. Kongsberg Maritime has a broad product portfolio and delivers to the entire vessel market, including merchant marine, the offshore market and specialised vessels. This makes KM robust and less affected by cycles within individual markets. With equipment installed on over 30,000 vessels and an annual revenue in the aftermarket of MNOK 6,000-7,000, this opens up significant opportunities for KM. We are expecting the new build market to continue to be challenging in 2019. However, operating revenues are expected to increase somewhat this year, both for the 'old' and 'new' KM compared to last year, based on the good order intake over the last year, and some improvement in the aftermarket.

Kongsberg Defence & Aerospace has been selected as the preferred supplier for several programmes, for which contracts are expected to be signed in 2019 and 2020. The contract signing dates could thereby affect operating revenues in the current year. Orders which have already been signed are providing the basis for some growth in 2019 compared to 2018, irrespective of these.

Kongsberg Digital has been investing considerably in establishing new positions and strengthening existing positions related to the digitalisation of core areas within the oil and gas, wind and merchant marine markets in recent years. The sector has experienced a good increase in its order backlog over the last six months, which provides a basis for growth in 2019. It is important for KONGSBERG to maintain its leading digital position by continuous development. KDI's growth strategy is therefore accelerated in 2019, where main focus is product portfolio and strategic opportunities.

Kongsberg, 9 May 2019
The Board of Kongsberg Gruppen ASA

NUMBERS & NOTES

Key figures by quarter

Key figures are exclusive IFRS 16 effects.

KONGSBERG	2019		2018					2017				
MNOK	*2019*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*	*2017*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	3 627	3 627	14 381	4 148	3 154	3 525	3 554	14 490	3 757	3 279	3 733	3 721
EBITDA	338	338	1 394	520	347	241	286	1 279	459	274	207	339
EBITDA %	9,3	9,3	9,7	12,5	11,0	6,8	8,0	8,8	12,2	8,4	5,5	9,1
New orders	3 766	3 766	16 574	3 859	4 477	5 299	2 939	13 430	5 015	2 429	2 535	3 451
Order backlog	17 301	17 301	17 283	17 283	17 602	16 419	14 814	15 629	15 629	14 298	15 308	16 672
EBIT	229	229	945	406	240	124	175	772	299	162	91	220
EBIT %	6,3	6,3	6,6	9,8	7,6	3,5	4,9	5,3	8,0	4,9	2,4	5,9

KONGSBERG MARITIME	2019		2018					2017				
MNOK	*2019*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*	*2017*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	2 072	2 072	7 545	2 041	1 798	1 910	1 796	7 429	1 877	1 815	1 969	1 768
EBITDA	187	187	594	140	205	115	134	589	228	161	60	140
EBITDA %	9,0	9,0	7,9	6,9	11,4	6,0	7,5	7,9	12,1	8,9	3,0	7,9
New orders	2 413	2 413	8 884	1 853	3 024	2 107	1 900	7 336	1 693	1 670	1 813	2 160
Order backlog	5 981	5 981	5 739	5 739	5 975	4 919	4 740	4 820	4 820	4 908	5 197	5 519
EBIT	157	157	453	106	176	78	93	368	146	117	13	92
EBIT %	7,6	7,6	6,0	5,2	9,8	4,1	5,2	5,0	7,8	6,4	0,7	5,2

KONGSBERG DEFENCE & AEROSPACE	2019		2018					2017				
MNOK	*2019*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*	*2017*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	1 369	1 369	6 104	1 898	1 180	1 441	1 585	6 333	1 683	1 281	1 591	1 778
EBITDA	138	138	863	371	120	200	172	612	221	61	142	188
EBITDA %	10,1	10,1	14,1	19,5	10,2	13,9	10,9	9,7	13,1	4,8	8,9	10,6
New orders	1 137	1 137	6 885	1 770	1 272	3 045	798	5 376	3 168	648	559	1 001
Order backlog	10 519	10 519	10 744	10 744	10 867	10 772	9 170	9 956	9 956	8 476	9 115	10 150
EBIT	77	77	621	309	58	137	117	409	165	13	93	138
EBIT %	5,6	5,6	10,2	16,3	4,9	9,5	7,4	6,5	9,8	1,0	5,8	7,8

Proforma figures, not audited:

COMMERCIAL MARINE	2019		2018				
MNOK	*2019*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	1 871	1 871	8 215	2 475	1 980	2 054	1 706
EBITDA	(64)	(64)	(273)	(6)	(13)	(81)	(173)
EBITDA %	(3,4)	(3,4)	(3,3)	(0,2)	(0,7)	(3,9)	(10,1)
New orders	1 973	1 973	9 901	2 791	2 404	2 580	2 126
Order backlog	6 739	6 739	6 631	6 631	6 133	5 649	5 111
EBIT [1]	(97)	(97)	(396)	(38)	(42)	(112)	(204)
EBIT % [1]	(5,2)	(5,2)	(4,8)	(1,5)	(2,1)	(5,5)	(12,0)

[1] See note 11.

Condensed income statement

2019 is inclusive IFRS 16 effects.

		1.1 - 31.3		
MNOK	*Note*	*2019*	*2018*	*2018*
Operating revenues	4	3 627	3 554	14 381
Operating expenses	7	(3 216)	(3 300)	(13 168)
Share of net income from joint arrangements and associated companies	5	3	32	181
EBITDA	**4, 12**	**414**	**286**	**1 394**
Depreciation of property, plant and equipment		(87)	(87)	(350)
Depreciation of leasing assets	2	(66)	-	-
Writedowns of property, plant and equipment		-	-	(6)
Amortisation of intangible assets		(22)	(24)	(93)
EBIT	**4, 12**	**239**	**175**	**945**
Interest on leasing liabilities	2	(25)	-	-
Net financial items excl. IFRS 16 effects	6	6	(31)	(101)
Earnings before tax (EBT)		**220**	**144**	**844**
Income tax expenses	10	(50)	(28)	(140)
Earnings after tax		**170**	**116**	**704**
Attributable to:				
Equity holders of the parent		171	115	701
Non-controlling interests		(1)	1	3
Earnings per share (EPS) / EPS diluted in NOK		0,95	0,96	5,58

Condensed statement of comprehensive income

2019 is inclusive IFRS 16 effects.

		1.1 - 31.3		1.1 - 31.12
MNOK	*Note*	*2019*	*2018*	*2018*
Earnings after tax		170	116	704
Comprehensive income for the period:				
Items to be reclassified to profit or loss in subsequent periods:				
Change in fair value, financial instruments				
- Cash flow hedges (Currency futures and interest rate swaps)	6	142	110	65
Tax effect cash flow hedges (Currency futures and interest rate swaps)		(31)	(25)	(16)
Translation differences and hedge of net investments (currency)		(54)	(172)	70
Total items to be reclassified to profit or loss in subsequent periods		**57**	**(87)**	**119**
Items not to be reclassified to profit or loss:				
Actuarial gains/losses pensions		-	-	54
Income tax on items remaining in equity		-	-	(12)
Total items not to reclassified to profit or loss		**-**	**-**	**42**
Comprehensive income after tax		**227**	**29**	**865**

Condensed statement of financial position

2019 is inclusive IFRS 16 effects.

MNOK	Note	31.3 2019	31.12 2018
Property, plant and equipment		2 532	2 531
Leasing assets	2	1 549	-
Intangible assets	7	2 869	2 889
Shares in joint arrangements and associated companies	5	3 322	3 400
Other non-current assets		203	188
Total non-current assets		**10 475**	**9 008**
Inventories		2 279	2 174
Trade receivables		2 345	2 802
Customer contracts, asset		3 277	2 994
Other current assets		762	642
Cash and cash equivalents		10 389	10 038
Total current assets		**19 052**	**18 650**
Total assets		**29 527**	**27 658**
Issued capital		5 933	5 933
Retained earnings		6 804	6 748
Fair value of financial instruments		36	(75)
Non-controlling interests		18	20
Total equity		**12 791**	**12 626**
Long-term interest-bearing loans	6	3 469	4 020
Long-term leasing liabilities	2	1 362	-
Other non-current liabilities and provisions	3	2 039	1 970
Total non-current liabilities and provisions		**6 870**	**5 990**
Customer contracts, liabilities		5 228	5 157
Short-term interest-bearing loans	6	879	312
Short-term leasing liabilities	2	202	-
Other current liabilities and provisions	3	3 557	3 573
Total current liabilities and provisions		**9 866**	**9 042**
Total equity, liabilities and provisions		**29 527**	**27 658**
Equity ratio (%)		43,3	45,7
Net interest-bearing liabilities		(6 041)	(5 706)

Condensed statement of changes in equity

2019 is inclusive IFRS 16 effects.

MNOK	Note	31.3. 2019	31.12. 2018
Equity opening balance		12 626	7 365
Comprehensive income accumulated		227	865
Dividends		-	(450)
Treasury share		(61)	(3)
Capital increase		-	4 951
Dividends non-controlling interests		-	(5)
Change in non-controlling interests		(1)	(97)
Equity closing balance		**12 791**	**12 626**

Condensed cash flow statement

2019 is inclusive IFRS 16 effects.

	Note	1.1 - 31.3		1.1 - 31.12
MNOK		2019	2018	2018
Earnings before interest, tax, depreiation and amortisation		414	286	1 394
Change in net current assets and other operating related items		176	(291)	795
Net cash flow from operating activities		**590**	**(5)**	**2 189**
Acquisition/disposal of property, pant and equipment		(89)	(46)	(211)
Net payment for acquisition/disposal of subsidiaries, joint arrangements and associated companies		31	-	(30)
Other investing activities including capitalised self-financed development		(30)	(20)	(141)
Net cash flow from investing activities		**(88)**	**(66)**	**(382)**
Net change interest-bearing loans		14	(1)	996
Repayment of leasing liabilities	2	(51)	-	-
Net equity issue		-	-	4 937
Paid interests		(24)	(28)	(100)
Paid interests on leasing liabilities	2	(25)	-	-
Net payments for the acquisition/disposal of treasury shares		(61)	(84)	(20)
Transactions with non-controlling interests		-	-	(115)
Dividends paid to equity holders of the parent		-	-	(450)
- of which dividends from treasury shares		-	-	2
Net cash flow from financing activities		**(147)**	**(113)**	**5 250**
Effect of changes in exchange rates on cash and cash equivalents		(4)	(33)	25
Net change in cash and cash equivalents		**351**	**(217)**	**7 082**
Cash and cash equivalents opening balance		**10 038**	**2 956**	**2 956**
Cash and cash equivalents closing balance		**10 389**	**2 739**	**10 038**

Note 1 | General information and principles

General information
The consolidated financial statement for Q1 (interim financial statement) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

Principles
Interim financial statements are compiled in accordance with IAS 34 (interim reporting), stock exchange regulations and the additional requirements of the Securities Trading Act. Interim financial statements do not include the same amount of information as the full financial statements and should be read in the context of the consolidated financial statements for 2018. The consolidated financial statements for 2018 were prepared in compliance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) laid down by the EU.

The consolidated financial statements for 2018 are available from www.kongsberg.com.

New standards that have been applied in 2019 are described in Note 2 of this report.

The interim financial statement has not been audited.

Note 2 | New standards as from 1.1.2019

"IFRS 16 Leases" has been implemented with effect from 1 January 2019
IFRS 16 sets principles for recognition of rental agreements. The standard states that the lessee recognises the value of significant leases with a duration exceeding 12 months as assets and liabilities. The asset is depreciated over the remaining period of the lease and the lease payment is reclassified to payment of debt and interest in accordance with the annuity method. Hiring of property and buildings is substantial for KONGSBERG, which has also hired production facilities and vehicles. According to IAS 17, these were classified as operational lease agreements. With effect from 1 January 2019, lease agreements have been recognised on the balance sheet. The lease contracts will now be reflected as depreciation and interest expenses on the financial statement. KONGSBERG has applied the modified retrospective method for the transition to IFRS 16, which means that the comparative figures for 2018 have not been updated, and that the overall effect on results of depreciation and interest expense will exceed the lease payments in the first few years of the leases with remaining terms. The period of the lease for KONGSBERG's contracts is 1-12 years.

IFRS 16 effects on condensed statement of financial position:

	31.3.2019	*1.1.2019*
Assets		
Leasing assets	1 549	1 615
Total assets	**1 549**	**1 615**
Equity		
Effects on earned equity:		
Returned rent after tax	59	-
Depreciation and interest expensed after tax	(71)	-
Total equity	**(12)**	**-**
Long-term liabilities and provisions:		
Long-term leasing liabilities	1 362	1 362
Deferred tax	(3)	-
Total long-term liabilities and provisions	**1 359**	**1 362**
Short-term liabilities and provisions:		
Short-term leasing liabilities	202	253
Total short-term liabilities and provisions	**202**	**253**
Total equity, liabilities and provisions	**1 549**	**1 615**

IFRS 16 effects on condensed income statement:

	1.1-31.3.2019
Returned rental costs earlier included in EBITDA	(76)
Quarterly increased EBITDA	**76**
Depreciation on leases	(66)
Quarterly increased EBIT	**10**
Interest cost on leasing liabilities for period	(25)
Quarterly reduced EBT	**(15)**

Note 3 | Estimates

Preparing the interim financial statement involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The key considerations in connection with the application of the Group's accounting principles and the biggest sources of uncertainty remain the same as when the 2018 consolidated financial statements was compiled.

Note 4 | Segment information

	OPERATING REVENUES		EBITDA		EBIT	
	1.1. - 31.3.		1.1. - 31.3.		1.1. - 31.3.	
MNOK	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
KM	2 072	1 796	238	134	164	93
KDA	1 369	1 585	171	172	81	117
Other	186	173	5	(20)	(6)	(35)
GROUP	**3 627**	**3 554**	**414**	**286**	**239**	**175**

On 21 January 2019, KONGSBERG entered into an agreement with Rome AS regarding the sale of the company Kongsberg Evotec AS then owned by Kongsberg Maritime AS. The sale came as a consequence of the acquisition of Rolls-Royce Commercial Marine. The sale was completed in January 2019 and is reflected in KM's revenues for Q1 with a profit of MNOK 107.

External revenues for Kongsberg Evotec AS was MNOK 104 in the 2018 financial year and MNOK 83 in 2017.

Note 5 | Shares in joint arrangements and associated companies

Specification of movement in the balance sheet line "Shares in joint arrangements and associated companies" 1 January to 31 March:

MNOK	Owner-ship	Carrying amount 1.1.18	Additions in the period	Dividends received in the period	Share of net income in the period[1]	Other items and comprehensive income in the period	Carrying amount 31.3.19
Patria Oyj	49,9 %	2 807	-		(17)	(81)	2 709
Kongsberg Satellite Services AS	50,0 %	437	-		25		462
Other		156	-		(5)		151
Total		**3 400**	**-**	**-**	**3**	**(81)**	**3 322**

[1] The profit/loss is included after tax and amortisation of excess value.

Bridge between EBITDA and KONGSBERG's share of Patria's performance after tax:

	1.1. - 31.3.		1.1. - 31.3.		1.1. - 31.12.	
	2019		*2018*		*2018*	
Millions	*EUR*	*NOK*	*EUR*	*NOK*	*EUR*	*NOK*
EBITDA	5		9		48	
Financial items, taxes, depreciations and amortisation	(6)		(5)		(18)	
Net income after tax	(1)		4		30	
KONGSBERG's share (49,9 %)[1]		(10)		15		122
Amortisation of excess values after tax		(7)		(11)		(42)
Share of net income recognised in KDA for the period		**(17)**		**5**		**80**

[1] Share of Patria's net income after tax adjusted for non-controlling interests.

Note 6 | Financial instruments

Loans and credit facilities

The Group has seven interest-bearing loans amounting to a total of MNOK 4,250. The loans are classed as long-term loan, with the exception of KOG07 (nominal value of MNOK 250) and KOG10 (nominal value of MNOK 550), both of which mature within one year and are therefore reclassified as current loans. The maturity dates of the long-term bond loans range from 2 June 2021 to 2 June 2026. In addition, the Group has a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Both of these are undrawn.

Interest-bearing loans:

			31.3.2019	31.12.2018
MNOK	*Due date*	*Nominal interest rate*	*Value [1]*	*Value [1]*
Long-term loans:				
Bond issue KOG08 - floating interest rate	02.06.2021	2,53 %	1 000	1 000
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20 %	1 000	1 000
Bond issue KOG10 - floating interest rate [3]	05.03.2020	2,19 %	-	550
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90 %	450	450
Bond issue KOG12 - floating interest rate	06.12.2021	2,17 %	500	500
Bond issue KOG13 - loating interest rate	06.06.2024	2,49 %	500	500
Other long-term loans [2]			19	20
Total long-term loans			**3 469**	**4 020**
Short-term loans:				
Bond issue KOG07 - fixed interest rate	11.09.2019	4,80 %	250	250
Bond issue KOG10 - floating interest rate [3]	05.03.2020	2,19 %	550	-
Other short-term loans and interest rate swaps [4]			79	62
Total short-term loans			**879**	**312**
Total interest-bearing loans			**4 348**	**4 332**
Syndicated credit facility (unused borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unused)			500	500

[1] Value is equal to nominal amount. For long-term loans, the carrying amount is equal to the nominal amount.
[2] "Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.
[3] The bond loan KOG10, with a nominal value MNOK 550 and due date 5 March 2020, has been reclassified to short-term debt as of 31 March 2019.
[4] Interest rate swaps with a values MNOK 8 is related to the bond loan KOG07.

Forward exchange contracts and interest rate swaps
The fair value of balances classified as cash flow hedges rose by MNOK 142[2)] before tax during the period 1 January – 31 March 2019. Of this amount, the change in fair value of forward exchange contracts accounted for an increase of MNOK 17 during the same period. The end-of-quarter spot prices were USD/MNOK 8.62 and EUR/MNOK 9.67.

Forward exchange contracts classified as cash flow hedging:

	Due in 2019		Due in 2020 or later		Total		
MNOK (before tax)	*Value based on agreed exchange rates*	*Fair value at 31.3.19* [1)]	*Value based on agreed exchange rates*	*Fair value at 31.3.19* [1)]	*Value based on agreed exchange rates*	*Change in fair value from 31.12.18*	*Fair value at 31.3.19* [1)]
USD	2 047	(9)	(447)	21	1 600	30	11
EUR	42	(6)	-	-	42	(15)	(6)
Other [3)]	(5 632)	79	-	-	(5 632)	2	79
Sum	**(3 543)**	**64**	**(447)**	**21**	**(3 991)**	**17**	**84**
Roll-over of currency futures		-		-		77	1
Total	**(3 543)**	**64**	**(447)**	**21**	**(3 991)**	**94[2)]**	**85**

[1)] Fair value is calculated as the difference between the spot rate at 31 March 2019 and the forward rates on currency contracts.
[2)] The difference between these two figures i.e. MNOK 48, is ascribable to a change in fair values of basis swaps and interest rate swaps.
[3)] The acquisition of Rolls-Royce Commercial Marine (MGBP 500) is hedged by a Deal Contingency Forward (conditional currency hedge which will terminated if the transaction is not closed).

Note 7 | Self-financed development

Self-financed product maintenance, research and development recognised via the income statement during the period:

	1.1 - 31.3		
MNOK	*2019*	*2018*	*2018*
Product maintenance	86	74	280
Research and development cost	169	173	665
Total	**255**	**247**	**945**

Self-financed development recognised via the balance sheet during the period:

	1.1 - 31.3		
MNOK	*2019*	*2018*	*2018*
Additions self-financed development	28	20	130

The largest capitalised projects related to the development of a digital platform (Kognifai), Joint Strike Missile (JSM), medium-calibre weapon station (MCT), new integrated vessel solutions and remote towers for airports.

Note 8 | Related parties

The Board is not aware of any changes or transactions in Q1 associated with related parties that in any significant way affects the Group’s financial position and profit for the period.

Note 9 | Important risk and uncertainty factors

The Group's risk management is described in the 2018 annual report. No new significant risk and uncertainty factors emerged during this quarter.

Note 10 | Tax

The effective tax rate as of Q1 has been calculated at 22.7 per cent. The effective tax rate is affected by source tax on dividends from foreign subsidiaries, adjustments in previous years and the fact that shares of net income from associated companies are recognised after tax.

Note 11 | Acquisitions

Rolls-Royce Commercial Marine
On 6 July 2018, Kongsberg entered into an agreement for the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce Plc. The acquisition was completed on 1 April 2019 and the company will be reported as part of Kongsberg Maritime from Q2 2019 onwards.

If the acquisition had been implemented from 1 January 2019, KONGSBERG's revenues would have increased by MNOK 1,871, while EBIT would have been reduced by MNOK 97, and MNOK 66 which amounts to amortisation of the fair value adjustments in the purchase price allocation, in total MNOK 163. (The figures are exclusive IFRS 16 effects).

The purchase price allocation is attached, and shows that the expected consideration amounts to MNOK 6,467 including cash and cash equivalents included in the takeover. The expected consideration includes the estimated final settlement related to the final determination of working capital at the time of closing the acquisition.

Calculated goodwill in the preliminary purchase price allocation is MNOK 2,123 and includes the following content:

- expectations of market improvement
- leading market position
- capacity to tender for large-scale projects
- workforce
- technical expertise
- access to future customers and products
- geographic presence
- references

See table on next page.

Preliminary purchase price allocation Rolls-Royce Commercial Marine:

MNOK	*Recognised values at acquisition*	*Adjustments of fair value*	*Carrying amount prior to acquisition*
Previously booked intangibles	-	(146)	146
Customer relationship	616	616	-
Trademarks	66	66	-
Technology	769	769	-
Total intangible assets excluding goodwil	**1 451**	**1 305**	**146**
Property, plant and equipment	1 476	-	1 476
Leasing assets	471	-	471
Deferred tax asset	-	(79)	79
Current assets exclusive cash and cash equivalents	4 719	(85)	4 804
Cash and cash equivalents	2 322	-	2 322
Total assets exclusive goodwill	**10 439**	**1 141**	**9 298**
Pension liabilities	(309)	-	(309)
Long term leasing liabilities	(384)	-	(384)
Short term leasing liabilities	(87)	-	(87)
Provisions	(417)	(99)	(318)
Other current liabilities	(4 898)	-	(4 898)
Net identifable assets and liabilities	**4 344**	**1 042**	**3 302**
Goddwill upon aqcuisition	2 123	-	-
Expected remuneration	**6 467**	**-**	**-**
Cash and cash equivalents acquired	(2 322)	-	-
Expected remuneration exclusive cash and cash equivalents	**4 145**	**-**	**-**
Repayment of liabilties at aqcuisition	1 000	-	-
Expected net outgoing cash flow linked to the aqcuisition	**5 145**	**-**	**-**

Aerospace Industrial Maintenance Norway AS

On 13 December 2018, KONGSBERG announced an agreement with the Ministry of Defence for the acquisition of Aerospace Industrial Maintenance Norway AS (AIM). The parties agreed on an enterprise value of MNOK 151 on a cash- and debt-free basis, and with normalised working capital. Among other things, the agreed value reflects the fact that AIM is committed to investing around MNOK 540 in a new engine depot for the F-35 figheter aircraft at Rygge over the next 2–3 years. The acquisition requires approval by the relevant authorities, and the transaction is expected to be completed in the first half of 2019.

Note 12 | Definitions

KONGSBERG uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. Our definitions and explanations of these terms follow below.

EBITDA and EBIT are considered by KONGSBERG to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation of "Earnings Before Interest, Taxes, Depreciation and Amortisation". KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles that are part of the financial statements for 2017. The same applies for EBIT.

Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents", "Long-term interest-bearing loans" and "Short-term interest-bearing loans".

Return on Average Capital Employed (ROACE)
is defined as the 12-month rolling EBIT exclusive IFRS 16, divided by the 12-month mean of recognised equity and net interest-bearing debt.

Working capital is defined as current assets minus cash and cash equivalents, current non-interest liabilities (except taxes payable) and financial instruments recognised at fair value.

Book-to-bill ratio is order intake divided by operating revenues.

RRCM is Rolls-Royce Commercial Marine

AIM is Aerospace Industrial Maintenance Norway AS